

Message Text

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ACTION AF-06

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TAGS: EFIN, EINV

SUBJECT: BANK OF ZAMBIA ANNOUNCES NEW FOREIGN EXCHANGE
CONTROL MEASURES

1. IN FACE OF CONTINUING DROP IN FOREIGN EXCHANGE
HOLDINGS WHICH WERE DOWN TO DOLS 62 MILLION AS OF AUGUST 30,
BANK OF ZAMBIA ANNOUNCED SEPT. 17 NEW RESTRICTIONS ON USES
OF FOREIGN EXCHANGE. OF MOST INTEREST TO US BUSINESSMEN
WILL BE REDUCTION IN AMOUNT OF PROFITS AND DIVIDENDS WHICH
CAN BE REMITTED. PREVIOUSLY, FOREIGN INVESTORS COULD REMIT
50 PERCENT OF PROFITS OR 30 PERCENT OF THEIR INVESTMENT,
WHICHEVER LESS. IN FUTURE, REMITTANCES WILL BE RESTRICTED
TO 50 PERCENT OF PROFITS OR 10 PERCENT OF INVESTMENT, WHICH-
EVER LESS.

2. TRAVEL ALLOWANCES GRANTED ZAMBIAN CITIZENS AND RESIDENTS
FOR HOLIDAY PURPOSE ARE WITHDRAWN WITHOUT EXCEPTION. 1975- QUOTA
FOR BUSINESS TRAVEL REDUCED FROM 21 TO 15 DAYS PER YEAR.
RESTRICTIONS WILL APPLY TO PARTY AND GOVERNMENT LEADERS AS
WELL AS BUSINESSMEN.

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EM BANK ALSO ANNOUNCED THAT IN FUTURE EXTERNALIZATION OF

FUNDS WITH RESPECT TO PURCHASE, TAKEOVER, AND PARTICIPATION AGREEMENTS WILL TAKE PLACE ONLY WITH SPECIFIC PRIOR APPROVAL BY BANK OF ZAMBIA.

4. BOP EFFECTS DIFFICULT TO MEASURE AT THIS TIME. HOWEVER, IN 1974 ZAMBIA SPENT DOLS 47 MILLION ON TRAVEL AND FARES AND DOLS 62 MILLION ON PROFIT AND DIVIDEND REMITTANCES. WE HAVE NO WAY OF KNOWING POTENTIAL FOREIGN EXCHANGE SAVINGS, HOWEVER, BY WAY OF ILLUSTRATION, WERE NEW MEASURES TO RESULT IN 50 PERCENT REDUCTION IN PROFIT REMITTANCES AND 70 PERCENT REDUCTION IN TRAVEL, ANNUAL FOREIGN EXCHANGE SAVINGS WOULD BE ABOUT DOLS 60 MILLION. BY COMPARISON, FOREIGN EXCHANGE LOSS DUE TO 20 PERCENT COPPER EXPORT REDUCTION FORCED BY CLOSING OF BENGUELA RR WILL BE ABOUT DOLS 75 MILLION ANNUALLY AT CURRENT COPPER PRICES. THUS DESPITE EFFECT OF THESE NEW MEASURES BOP DEFICIT ON CURRENT ACCOUNT LIKELY TO BE CONSIDERABLY HIGHER THAN DOLS 387 MILLION ESTIMATED IN JANUARY 1975 BUDGET PRESENTATION. NOR WILL THESE MEASURE OBTAIN NEED FOR SUBSTANTIAL EXTERNAL FINANCING.

5. ELIMINATION OF FOREIGN EXCHANGE ALLOWANCES FOR HOLIDAY TRAVEL IS REGARDED BY MIDDLE AND UPPER CLASS ZAMBIAN RESIDENTS AS ANOTHER BLOW IN ADDITION TO CLOSEDOWN OF PRIVATE MEDICAL FACILITIES AND OTHER ASPECTS OF PRESENT S JUNE 30 "WATER-SHED" SPEECH . (LUSAKA 1232)
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